

**INDEPENDENT AUDITORS' REPORT**

**MISSOURI PETROLEUM STORAGE  
TANK INSURANCE FUND  
(A SPECIAL TRUST FUND OF THE  
STATE OF MISSOURI)**

**FOR THE YEAR ENDED JUNE 30, 2011**

\*  
\* \*  
\* \* \*  
\* \* \* \*  
\* \* \* \* \*  
\* \* \* \* \*  
\* \* \* \* \*  
\* \* \* \* \*  
\* \* \* \*  
\* \* \*  
\* \*  
\*

**CASEY-BEARD-BOEHMER PC  
CERTIFIED PUBLIC ACCOUNTANTS  
COLUMBIA, MISSOURI**

**MISSOURI PETROLEUM STORAGE  
TANK INSURANCE FUND  
(A SPECIAL TRUST FUND OF THE STATE OF MISSOURI)**

**TABLE OF CONTENTS**

---

	<u>Page</u>
Independent Auditors' Report . . . . .	1 - 2
Financial Statements:	
Statement of Net Assets (Accumulated Deficit) . . . . .	4
Statement of Revenues, Expenses, and Change in Net Assets (Accumulated Deficit) . . . . .	5
Statement of Cash Flows . . . . .	6
Notes to the Financial Statements . . . . .	7 - 10
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> . . . . .	11 - 12

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 - 8427  
FAX / 875 - 7876  
www.caseycpas.com

November 21, 2011

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Missouri Petroleum Storage Tank Insurance Fund

We have audited the accompanying financial statements of the business-type activities of the Missouri Petroleum Storage Tank Insurance Fund (the "PSTIF"), a special trust fund of the state of Missouri, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the PSTIF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the PSTIF are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the state of Missouri that is attributable to the transactions of the PSTIF. They do not purport to, and do not, present fairly the financial position of the state of Missouri as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the PSTIF as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER  
•  
American  
Institute of  
Certified  
Public  
Accountants  
•  
Missouri  
Society of  
Certified  
Public  
Accountants  
•

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the PSTIF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Casey - Beard-Boehmer PC*

Casey-Beard-Boehmer PC  
Certified Public Accountants

## FINANCIAL STATEMENTS

**PETROLEUM STORAGE TANK INSURANCE FUND**  
**(A SPECIAL TRUST FUND OF THE STATE OF MISSOURI)**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

---

**ASSETS**

Current Assets:	
Pooled cash and cash equivalents	\$ 74,496,141
Accounts receivable, net of allowance of \$43,897	1,859,088
Accrued interest receivable	135,902
Total Current Assets	<u>76,491,131</u>
Capital Assets (net of accumulated depreciation of \$179,980)	<u>24,219</u>
Total Assets	<u>\$ 76,515,350</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 18,886
Deferred revenue	543,404
Claims liability	15,000,000
Accrued compensated absences	67,253
Total Current Liabilities	<u>\$ 15,629,543</u>
Noncurrent Liabilities:	
Claims liability	88,647,190
Total Noncurrent Liabilities	<u>\$ 88,647,190</u>
Total Liabilities	<u>\$ 104,276,733</u>
Net Assets:	
Invested in capital assets	\$ 24,219
Unrestricted (accumulated deficit)	<u>(27,785,602)</u>
Total Net Assets	<u>\$ (27,761,383)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

**PETROLEUM STORAGE TANK INSURANCE FUND**  
**(A SPECIAL TRUST FUND OF THE STATE OF MISSOURI)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

Operating Revenues	
Transport load, initial tank, and participation fees	\$ 12,730,089
Cost reimbursements and miscellaneous	87
Total Operating Revenues	<u>\$ 12,730,176</u>
Operating Expenses	
Personal services and fringe benefits	\$ 1,572,852
Operations	3,634,824
Specific programs-claim expenses	8,733,112
Depreciation	6,329
Total Operating Expenses	<u>\$ 13,947,117</u>
Operating Income	<u>\$ (1,216,941)</u>
Non-operating Revenues	
Investment earnings	\$ 603,706
Total Non-operating Revenues	<u>603,706</u>
Change in Net Assets	\$ (613,235)
Net Assets (Accumulated Deficit) - Beginning of Year	<u>\$ (27,148,148)</u>
Net Assets (Accumulated Deficit) - End of Year	<u><u>\$ (27,761,383)</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.



**PETROLEUM STORAGE TANK INSURANCE FUND  
(A SPECIAL TRUST FUND OF THE STATE OF MISSOURI)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities:	
Cash received from customers and users	\$ 12,813,255
Cash paid to employees	(1,639,695)
Cash payments to vendors for goods and services	(3,628,729)
Cash payments for claims	(11,902,157)
Net cash provided (used) by operating activities	<u>(4,357,326)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(7,649)
Net cash provided (used) for capital and related financing activities	<u>(7,649)</u>
Cash flows from investing activities:	
Interest and investment earnings	572,845
Net cash provided by investing activities	<u>572,845</u>
Net increase (decrease) in cash and cash equivalents	(3,792,130)
Cash and cash equivalents, beginning of year	\$ 78,288,271
Cash and cash equivalents, end of year	\$ <u>74,496,141</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ (1,216,941)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	6,329
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	43,373
Increase (decrease) in accounts payable	6,095
Increase (decrease) in deferred revenue	39,706
Increase (decrease) in compensated absences	(66,843)
Increase (decrease) in claims payable	(3,169,045)
Net cash provided (used) by operating activities	<u>\$ (4,357,326)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.



**PETROLEUM STORAGE TANK INSURANCE FUND  
(A SPECIAL TRUST FUND OF THE STATE OF MISSOURI)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Financial Reporting Entity**

The Petroleum Storage Tank Insurance Fund (the "PSTIF"), is a special trust fund created by Section 319.129 RSMo in 1989. The PSTIF is an independent, self-supporting, governmental entity governed by an eleven member board of trustees. State law indicates that the PSTIF will expire on December 31, 2020 with the exception of completing payment of claims made prior to that date. The purpose of the PSTIF is to provide insurance coverage for petroleum storage tank owners for the expenses of cleaning up a leak, as well as third-party property damage and bodily injury resulting from leaks. The law requires the owner/operator to comply with certain Department of Natural Resources (DNR) and Department of Agriculture operating requirements in order to be insured. In addition, the PSTIF pays for the expenses to clean up the sites where petroleum storage tanks have been closed if they meet certain criteria.

The PSTIF is a special trust fund of the state of Missouri (the "State") and not a component unit as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 39 *Determining Whether Certain Organizations Are Component Units*. Based on these statements, the accompanying financial statements include only those operations related to the PSTIF and are not intended to present fairly the financial position and results of operations of the State.

These financial statements include those transactions under the operational control of the PSTIF's board of trustees, as well as transactions under the control of other state agencies that receive appropriations from the PSTIF.

**B. Basis of Presentation**

The PSTIF accounts for its activities as an enterprise fund, a type of proprietary fund. Proprietary funds are used to account for ongoing activities that are similar to activities found in the private sector. The measurement focus is upon determination of net income.

Specifically, enterprise funds account for operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service. Enterprise funds also account for activities, where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Method of Accounting**

The accrual basis of accounting is utilized for the PSTIF. With this measurement focus, revenues are recognized when earned and expenses are recorded when incurred. The PSTIF recognizes revenue on transport load fees based on when the fee was incurred by the transporter. Participation fees are earned based on the period in which the owner/operator is being insured. The PSTIF recognizes claims reserve liabilities and the related expenses when the PSTIF becomes aware of contamination at a storage tank site and estimates the costs to clean up the contamination.

The PSTIF applies all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 and all Accounting Principles Board (APB) Opinions and Accounting Research Bulletins, except for those that conflict with or contradict GASB pronouncements.

**PETROLEUM STORAGE TANK INSURANCE FUND  
(A SPECIAL TRUST FUND OF THE STATE OF MISSOURI)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES: (CONTINUED)**

**D. Deposits and Investments**

Cash and cash equivalents for the statement of cash flows includes cash and short-term investments, which are invested by the State as part of the State's cash pool. All deposit and investment risk is controlled by the State. Information concerning the State's deposit and investment risks may be found in the State's Comprehensive Annual Financial Report.

**E. Receivables and Uncollectible Accounts**

Accounts receivable are comprised of transport load fees due the state of Missouri. The PSTIF has provided for an allowance for doubtful accounts related to state billings totaling \$43,897 where the state has filed proceedings in bankruptcy against some companies, and for billings that are more than twelve months old.

**F. Capital Assets**

All capital assets for the Petroleum Storage Tank Insurance Fund (held both by the PSTIF and by DNR) with useful lives of more than one year and valued at greater than \$1,000 are stated at historical cost. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method with estimated useful lives from 3 to 5 years. The DNR calculates the depreciation on its applicable assets and provides the amounts to the PSTIF. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

**G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 2: REVENUES**

The PSTIF receives the following fee revenues:

- *Transport load fee* – Fee upon each load of petroleum brought into the state. The current fee is \$20 per 8,000 gallons of petroleum.
- *Tank fee* – One-time fee of \$100 per tank paid by the tank owners and operators for participation in the PSTIF.
- *Participation fee* – A fee paid by the tank owners and operators who apply for and receive insurance coverage from the PSTIF. The fee is assessed on each tank insured annually. This fee ranges from \$100 to \$200 per tank insured.



**PETROLEUM STORAGE TANK INSURANCE FUND  
(A SPECIAL TRUST FUND OF THE STATE OF MISSOURI)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 2: REVENUES (CONTINUED)**

The PSTIF has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues* – Operating revenues include activities that have the characteristics of exchanged transactions, such as charges for program participation. Also included in operating revenues are transport load fees, which the State has identified as the primary source of program funding.

*Nonoperating revenues* – Nonoperating revenues include interest on deposits and investments.

**NOTE 3: CAPITAL ASSETS AND DEPRECIATION**

The activity of the capital assets and accumulated depreciation for the year ended June 30, 2011 is as follows:

<u>Cost</u>		
Beginning balance, July 1, 2010	\$	197,332
Increases		7,649
Decreases		(782)
Ending balance, June 30, 2011	\$	<u>204,199</u>
<u>Accumulated depreciation</u>		
Beginning balance, July 1, 2010	\$	174,433
Increases		6,329
Decreases		(782)
Ending balance, June 30, 2011	\$	<u>179,980</u>
Fixed assets, net, June 30, 2011	\$	<u><u>24,219</u></u>

**NOTE 4: CLAIMS LIABILITY**

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The PSTIF has claims liability for the cost of contamination cleanup for policyholders and other eligible site owners who have submitted notice of a contamination. Because actual claims liabilities depend on such complex factors the process used in computing claims liability does not necessarily result in an exact amount. These liabilities are reported as part of the total claims liability at year-end. Claims liabilities are reevaluated continually on each case to take into consideration recently settled claims, additional cost considerations, and other economic and social factors. The PSTIF's reconciliation of its beginning and ending claims liabilities is summarized as follows:

**PETROLEUM STORAGE TANK INSURANCE FUND  
(A SPECIAL TRUST FUND OF THE STATE OF MISSOURI)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

---

**NOTE 4: CLAIMS LIABILITY (CONTINUED)**

Liability at beginning of year	\$	106,816,235
Claims payments		(11,902,157)
Claims incurred and changes in estimates		<u>8,733,112</u>
Liability at end of year	\$	<u>103,647,190</u>

**NOTE 5: EMPLOYEE FRINGE BENEFITS**

State employees, including those employed by or paid from the PSTIF, are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the State's healthcare, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance, cafeteria plan, and deferred compensation plan involves only employee contributions or payroll deductions.

The State's required contributions for employee fringe benefits are paid from the same funds as the related payroll. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits), social security and Medicare taxes, healthcare premiums, and the deferred compensation plan match. For information on the state's fringe benefits, please see the state's Comprehensive Annual Financial Report.

**NOTE 6: COMPENSATED ABSENCES**

State employees, including those employed by or paid by the PSTIF, are granted vacation, sick and compensatory leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and compensatory hours. Employees are not paid for accumulated sick leave upon termination. The amounts of accrued vacation and compensatory hours are included in accrued liabilities as a current liability in the accompanying statement of net assets. The costs of sick leave are recorded when paid and are not accrued. The total compensated absences as of June 30, 2011 included in liabilities total \$67,253.

**NOTE 7: CONTINGENCIES**

Legal Matters

The PSTIF is involved in various lawsuits and threatened lawsuits. In the opinion of PSTIF legal counsel, the outcome and range of potential loss for these lawsuits cannot readily be determined due to the nature and uncertainties of each case. The PSTIF has not included any contingency liability in its financial statements in these matters, although some cases have reserve estimates already included in claim reserves. The PSTIF's statutory maximum liability for any release is \$1,000,000.

The PSTIF did receive a court judgment against it on September 16, 2011, in one case for punitive damages totaling \$2,500,000. An appeal was filed with the Western District appellate court on September 23, 2011, to reduce or eliminate punitive and actual damages awarded. The PSTIF has not included any contingency liability in its financial statements related to this case.

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

November 21, 2011

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
Missouri Petroleum Storage Tank Insurance Fund

We have audited the financial statements of the business-type activities of the Petroleum Storage Tank Insurance Fund (the "PSTIF"), a special trust fund of the state of Missouri, as of and for the year ended June 30, 2011, which collectively comprise the PSTIF's basic financial statements and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the PSTIF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PSTIF's internal control over financial reporting.

A *deficiency in control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBER

•  
American  
Institute of  
Certified  
Public  
Accountants

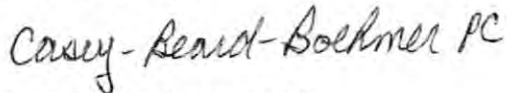
•  
Missouri  
Society of  
Certified  
Public  
Accountants



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Petroleum Storage Tank Insurance Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and board of trustees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Casey-Beard-Boehmer PC".

Casey-Beard-Boehmer PC  
Certified Public Accountants